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C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 002001

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SUBJECT: CODEL SCHIFF MEETS WITH MUSHARRAF

Classified By: Anne W. Patterson, Reasons 1.4 (b), (d)

11. (C) Summary: Codel Schiff -- U.S. Representatives Adam Schiff (D-CA), Allyson Schwartz (D-PA), and Wayne Gilchrest (R-MD) -- met May 27 with President Pervez Musharraf. The President recounted his three-stage plan to transition Pakistan to a full-fledged democracy. He outlined that Pakistan now needed to grow its economy, fight terrorism and solidify its democratic institutions, but the current coalition government was distracted by "unimportant issues." Political turmoil was becoming economic turmoil. Instead, Musharraf argued, Pakistan required bold leaders to tackle the economic downturn and to fight terrorism; he had left both issues, just months ago, on good footing. Asked if Pakistan's defense budget would ever receive true scrutiny by the parliament, Musharraf offered up the military's civilian leaders, but reminded the Codel not to expect Pakistan to follow the U.S.'s oversight example. End summary.

The Road: Behind and Beyond

12. (C) Asked by Codel Schiff to comment on Pakistan's transition to democracy over the next several months, Musharraf recounted his view of events since coming to power, describing the "civilian dictatorship" of the 1990s and his three-stage plan to bring true democracy to Pakistan. After putting the country back on secure economic footing and returning day-to-day governing to civilians, Musharraf said the country had entered the final stage in which he was "legally re-elected," resigned from the position of Chief of Army Staff (COAS), and completely turned the government over to popularly-elected political parties.

13. (C) Pakistan now needed (1) to sustain economic growth above six percent; (2) to fight terrorism, "in Pakistan's interests;" and (3) to secure democratic institutions. "But," Musharraf continued, "there has instead been political turbulence." He described the coalition between Pakistan People's Party (PPP) and Pakistan Muslim League-Nawaz (PML-N) as "unhealthy" and "unnatural," noting their historical rivalry. He hoped the new GOP could last for its full five-year term, Musharraf claimed, but feared the PML-N's "insistence" on other issues, i.e., the restoration of all the pre-November 3 judiciary and diminution of presidential powers if not impeachment, was keeping the government "in limbo."

14. (C) Musharraf argued that such political turmoil had an obvious and immediate effect on the country's economy, which had entered a downturn. Both the Pakistani Rupee and the Karachi Stock Exchange (KSE) had lost considerable value in

just the last 40 days. He noted Pakistan's economy in 2006 and 2007 "was perfectly fine." Political mismanagement was the cause of the economic distress. The PPP-led GOP was not addressing the "real issues" of the people, instead "focused on totally unimportant issues," Musharraf concluded.

Leaders Must Be Bold

¶5. (C) Pakistan required bold leadership, and the new GOP was more concerned about taking popular positions, Musharraf said. Consequently, it was not fighting terrorism, instead "they want the Army to do everything." He also noted that alleged terrorist Sufi Mohammad had been released by the new GOP, and, though he made inciting comments immediately upon release, was not re-charged. "Maybe the politicians are scared for their own lives," he stated, repeating again that the PPP needed to be bold; its moderate, secularist credentials were unimpeachable.

¶6. (C) Musharraf argued that the GOP should negotiate from a position of strength, keeping up military pressure in the Federally Administered Tribal Areas (FATA). He claimed that al Qaeda was "under pressure," and when their hideouts were identified, the Army would not hesitate to strike. He also warned of spreading talibanization from across the Afghani border and now into Pakistan's Northwest Frontier Province (NWFP). He claimed that a peace accord in South Waziristan was not possible because the militants insisted on (1) a broad prisoner release, and (2) continued cross-border "trade."

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¶7. (C) Musharraf said that his administration and the USG had jointly produced a plan for FATA development, but complained that "not a penny has come." Inadequate social development support was part of the reason for spreading radicalization.

Oversight

¶8. (C) Having heard at a previous meeting that Pakistan's defense spending was a one line-item in the budget, Codel Schiff asked Musharraf if he could imagine a scenario where parliamentary committees would scrutinize this amount and require testimony from defense officials, civilian and military. Musharraf answered that the Army budget was already open to scrutiny and that the Defense Minister and Secretary were regularly questioned by parliament. There were also internal audit controls.

¶9. (C) However, to spell-out the defense budget in sub-totals would "create too much delay" in the legislature, adding, "there needs to be some independence of the Army." Additionally, many elements of the defense budget needed to be kept secret because of "the constant threat from India," though Musharraf quickly added that that threat had subsided during his tenure. Musharraf concluded: "Don't try to equate your system to ours."

¶10. (U) This cable was not cleared by Codel Schiff.

PATTERSON